

**MISSOURI PSTIF
FINANCIAL PROJECTION ASSUMPTIONS
JULY 1, 2012 THROUGH DECEMBER 31, 2020**

Following are the assumptions used to project the Missouri Petroleum Storage Tank Insurance Fund Balances for the period of July 1, 2012 through December 31, 2020.

REVENUES:

- Transport Load Fees - It is assumed that the fee will remain at \$20/load for the projection period; a decrease of 2,500 transport loads (20,000,000 gallons) in petroleum usage is assumed for FY2013.
- \$100 Initial Tank Fees – Assumes the following number of new tanks each fiscal year:

| | |
|-----------------------|-----|
| FY2013 | 400 |
| FY2014 through FY2015 | 350 |
| FY2016 through FY2021 | 200 |
- UST Participation Fees for FY2013 are based on 2,625 insured sites, which is projected to remain constant for fiscal year 2014 through 2021. The average participation fee per site for fiscal year 2013 through 2021 is assumed to be \$333, which is the current average participation fee. For fiscal year 2013 through 2021, 200 Extended Reporting Period Endorsements are projected each year at an average participation fee of \$333.
- AST Participation Fees for FY2013 are based on 1,000 insured sites. The numbers of insured sites assumed for future fiscal years are:

| | |
|---------------------|-------|
| FY2014 | 1,050 |
| FY2015 through 2021 | 1,100 |

The average participation fee per site for fiscal year 2013 through 2021 is assumed to be \$333, which is the current average. The number of Extended Reporting Period Endorsements projected for fiscal year 2013 is 75; it is 100 for fiscal year 2014 through 2021, with an average participation fee per endorsement of \$333.

- Interest earnings are based on the following rates, applied to the prior year's ending fund balance:

| | |
|-----------------------|-------|
| FY2013 | .60% |
| FY2014 | .60% |
| FY2015 | .75% |
| FY2016 | 1.00% |
| FY2017 | 1.50% |
| FY2018 | 2.00% |
| FY2019 through FY2021 | 3.00% |

ADMINISTRATIVE EXPENSES:

- Third-party Administrative Expenses are assumed to remain constant for FY2013. For FY2014 and FY2015, a 1% annual increase is assumed. For FY2016 through FY2018, a 5% annual reduction is assumed. For FY2019 through FY2021, costs are assumed to remain constant.

- Inspection costs are assumed to decrease slightly for FY2013 and FY2014 because the 3-year cycle triggers fewer inspections in those years. Similarly, in FY2015, inspection costs increase due to the timing of the UST inspections. Beginning with FY2016, costs are assumed to increase by 3% annually through FY2021.
- Training & Loss Prevention Services include costs associated with implementing an operator training program in the State of Missouri starting in Fiscal Year 2013 and forward. In fiscal year 2013, costs are assumed to be \$275,000. For fiscal year 2014, costs are assumed to be \$365,000 and then decrease to \$200,000 for fiscal year 2015 and assumed to increase annually by 3% through FY2021.
- Legal expenses, Other Professional Expenses, and Section 319.107 expenses are based on FY2013 appropriation requests and assumed to increase 3% annually through FY2021. The Board paid for an actuarial study in FY2012; a similar cost is assumed biannually thereafter.
- Department of Revenue expenses are based on the FY2013 appropriation request. An annual increase of 2% is assumed for FY2014 and FY2015. For FY2016 through FY2021, costs are assumed to remain constant.
- Attorney General's Office expenses are based on FY2013 appropriation requests. An increase of 2% annually for FY2014 and FY2015 is assumed. For FY2016 through FY2018, a 5% annual reduction is assumed. For FY2019 through FY2021, costs are assumed to remain constant.
- PSTIF Board/Staff expenses are based on the FY2013 appropriation request and assumed to remain constant for FY2014 through FY2021.
- Department of Natural Resources' expenses are based on FY2013 appropriation requests and assumed to remain constant for FY2014 and FY2015. For FY2016 through FY2018, a 5% annual reduction is assumed. For FY2019 through FY2021, costs are assumed to remain constant.
- State Government Expense includes the PSTIF's estimated share of expenses for statewide elected officials and legislative operations; 3% annual increases are projected.

CLAIM PAYMENTS:

For All Types of Claims -- Projected claim payments are based on average costs incurred to date and estimated future remediation costs for that claim type.

- **UST Insurance Claims** - As of June 30, 2012, the Fund had 464 open UST Insurance Claims, 62 of which are projected to be Large Loss Claims and 49 are "tail coverage" claims. Cleanup activities were underway on 346 of these claims as of June 30, 2012. The projections assume the remaining 118 claims will either start cleanup or submit invoices for work previously completed during the projection period.

For fiscal year 2013 through 2015, it is assumed that 2.50% of insured UST sites will have or discover a release resulting in a claim. For fiscal year 2016 through 2021, it is assumed that 3% of insured UST sites will have or discover a release resulting in a claim.

The Board offers “tail coverage” to Fund participants. It is assumed 20 claims will be made during extended reporting periods in fiscal year 2013 and 10 per year thereafter.

- **UST Remedial Claims** - As of June 30, 2012, the Fund had 459 open UST Remedial Claims, 59 of which are projected to be Large Loss Claims. Cleanup activities were started on 279 of these claims as of June 30, 2012. The projections assume the remaining 180 claims will either start cleanup or submit invoices for work previously completed during the projection period.

The projections assume an additional 82 UST Remedial Claims will be filed annually in fiscal year 2013 through 2021.

- **AST Insurance Claims** – As of June 30, 2012, the Fund had 86 open AST Insurance claims, 16 of which are projected to be Large Loss Claims and 9 of which were “tail coverage” claims.

For fiscal year 2013 and 2014, it is assumed that 2.5% of insured AST sites will have or discover a release resulting in a claim. For fiscal year 2015 and 2016, it is assumed that 3.5% of insured AST sites will have or discover a release resulting in a claim. For fiscal year 2017 through 2021, it is assumed that 4% of insured AST sites will have or discover a release resulting in a claim.

The Board offers “tail coverage” to AST policyholders. It is assumed 5 claims will be made during extended reporting periods in fiscal year 2013 through 2021.

- **AST Remedial Claims** – As of June 30, 2012, the Fund had 40 open AST Remedial Claims, 9 of which are projected to be Large Loss Claims.

The projections estimate an additional 42 AST Remedial claims will be filed annually in fiscal year 2013 through 2021.

- **Large Loss Claims** – As of June 30, 2012, the Fund had 146 open claims with estimated cleanup costs equal to or greater than \$250,000. It is assumed an additional 127 claims will become large loss claims during fiscal years 2013 through 2021.
- **Fund’s Sunset Date** – The “sunset date” is December 31, 2020, and it is assumed that the Fund will have a liability on that date to continue paying for claims filed prior to that date. No attempt has been made to project these “runoff” claim expenses.